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UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

SECURITIES AND EXCHANGE	§	
COMMISSION,	§	
	§	
Plaintiff,	§	
	§	CIVIL ACTION NO.
V.	§	4:14-CV-2345
	§	
ANDREW I. FARMER, et al.,	§	
	§	
Defendants.	§	

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ORAL DEPOSITION OF  
CHARLES EARL GROB, JR.

AUGUST 15, 2016

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ORAL DEPOSITION OF CHARLES EARL GROB, JR., produced as a witness at the instance of the Defendant Andrew I. Farmer, and duly sworn, was taken in the above-styled and numbered cause on August 15, 2016, from 9:18 a.m. to 10:19 a.m., before Julie Brown, CSR in and for the State of Texas, reported by machine shorthand, at the Sovany Law Firm, Two Greenway Plaza, Suite 600, Houston, Texas, pursuant to the Federal Rules of Civil Procedure.

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A P P E A R A N C E S

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Charles Earl Grob, Jr.

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1 (Exhibits 1 and 2 marked)

2 THE REPORTER: Any stipulations?

3 MR. EDMUNDSON: No.

4 (Witness sworn)

5 CHARLES EARL GROB, JR.,

6 having been first duly sworn, testified as follows:

7 EXAMINATION

8 BY MR. EDMUNDSON:

9 Q. Good morning, Mr. Grob. Would you state your  
10 name for the record.

11 A. Charles Earl Grob, Jr.

12 Q. Okay.

13 MR. EDMUNDSON: And why don't we enter our  
14 appearances for the record.

15 Q. (BY MR. EDMUNDSON) As you know, my name is  
16 Kevin Edmundson.

17 A. Yes.

18 Q. And with me is Jeff Ansley, and we are both  
19 counsel for Andrew Farmer.

20 A. Okay.

21 MR. VYDASHENKO: Nicolay Vydashenko with  
22 the Securities and Exchange Commission.

23 A. I know Nick. Okay.

24 MR. SOVANY: Herrick Sovany representing  
25 the deponent.

1 Q. (BY MR. EDMUNDSON) And, Mr. Grob, do you have  
2 any questions before we get started today?

3 A. No. No, sir.

4 Q. Okay. I wanted to -- you recall that you gave  
5 testimony at a hearing back in May?

6 A. I did.

7 Q. Okay. And since that hearing, the Court has  
8 authorized us to take your deposition. Do you  
9 understand that?

10 A. I understand that.

11 Q. And I wanted to pick up on a few of the points  
12 that were discussed at that hearing. I wanted to ask  
13 you some questions about the press releases that Chimera  
14 issued in the 2012 time period.

15 A. Okay.

16 Q. All right?

17 And let me show you Exhibit No. 1.

18 A. It's quite an exhibit.

19 Q. Quite an exhibit. And Exhibit No. 1, I'll  
20 represent to you, is an exhibit that has already been  
21 entered into the record in this case.

22 A. Yes.

23 Q. I understand it to be a collection of all of  
24 the press releases that are at issue in the complaint.

25 A. Yes.

1 Q. Okay. And I don't have specific questions  
2 necessarily about any of the -- any of the press  
3 releases and if I do, I'll -- we can refer to them; but  
4 I think we can talk about them in general groups.

5 A. Okay.

6 Q. All right?

7 The first group I want to talk about are  
8 the press releases that related to the NHE --

9 A. Uh-huh.

10 Q. -- licensing arrangement.

11 A. Correct.

12 Q. Okay. Who did Chimera have a licensing  
13 agreement with?

14 MR. SOVANY: Objection. I'm going to  
15 instruct you not to answer based on your Fifth Amendment  
16 right.

17 Q. (BY MR. EDMUNDSON) And are you refusing to  
18 answer the question based upon your assertion of the  
19 Fifth Amendment?

20 A. On advice of my counsel.

21 Q. Okay. And is it your intention to assert your  
22 Fifth Amendment with respect to the alleged false and  
23 misleading press releases as it related to the NHE  
24 Technology?

25 A. It is.

1 Q. Did you personally participate in the  
2 negotiation of the licensing agreement for NHE  
3 Technology?

4 MR. SOVANY: I'm instructing you not to  
5 answer based on your Fifth Amendment privilege.

6 A. As my counsel mentioned --

7 Q. (BY MR. EDMUNDSON) Okay.

8 A. -- I'm going to assert my Fifth Amendment.

9 MR. EDMUNDSON: Okay. And what I -- what  
10 I'll do for the -- for the benefit of the Court is just  
11 go through a series of questions --

12 A. And I can say --

13 MR. EDMUNDSON: -- and if -- if we're all  
14 in agreement, if he just asserts Five, are we -- we'll  
15 accept that if that's upon advice of counsel?

16 MR. VYDASHENKO: I agree that if -- I'm not  
17 sure what you're asking. I'm sorry.

18 MR. EDMUNDSON: Well, rather than going  
19 through and making the same recitation, if he just  
20 asserts Five to the question, that might streamline  
21 things. I'll assume you'll have -- you would want to  
22 raise the argument that he's waived previously, and we  
23 can deal with that.

24 MR. VYDASHENKO: I reserve -- I am going to  
25 raise the argument or reserve the right to raise that

1 argument; but, yes, for purposes of streamlining this --

2 THE WITNESS: Right.

3 MR. VYDASHENKO: -- I think that's -- I  
4 wanted to make sure that I understood what I was --

5 MR. EDMUNDSON: Yeah.

6 MR. VYDASHENKO: -- consenting to. Yes, he  
7 can say in shorthand that he's asserting the Fifth  
8 Amendment privilege pursuant to counsel's advice.

9 Q. (BY MR. EDMUNDSON) Was the licensing agreement  
10 with China Inland?

11 A. I assert my Fifth Amendment.

12 Q. And to the best of your knowledge, was China  
13 Inland an actual business entity with which Chimera  
14 negotiated the licensing agreement?

15 A. I assert my Fifth Amendment.

16 Q. Okay. And did Chimera pay money to acquire the  
17 licensing agreement?

18 A. I assert my Fifth Amendment.

19 Q. And did you have a reasonable basis to believe  
20 that there was, in fact, a licensing agreement with  
21 China Inland?

22 A. I assert my Fifth Amendment.

23 Q. While you were at Chimera, did you have in your  
24 possession technical documents evidencing -- evidencing  
25 the NHE Technology?



1           A. I assert my Fifth Amendment.

2                   MR. VYDASHENKO: Let me just --

3           Q. (BY MR. EDMUNDSON) And --

4                   MR. VYDASHENKO: Can I just interrupt to --

5                   MR. EDMUNDSON: Uh-huh.

6                   MR. VYDASHENKO: -- insert an objection?

7                   MR. EDMUNDSON: Uh-huh.

8                   MR. VYDASHENKO: I'm going to object to the  
9 witness' assertion of the Fifth Amendment privilege. We  
10 believe he has waived the privilege with respect to  
11 these matters because of the declaration which Mr. Grob  
12 has submitted which covered these matters and also  
13 because of his testimony in court during the hearing  
14 which also covered these matters. So we believe the  
15 assertion to be inappropriate at this time.

16                  MR. EDMUNDSON: And just if we could -- is  
17 there -- has there been a change since the hearing that  
18 has prompted your recommendation to your client to  
19 assert the Fifth?

20                  MR. SOVANY: Absolutely. With regard to  
21 the timing and specifically the SEC's position before  
22 Judge Ellison was that they were not aware of or were  
23 not going to confirm or deny a criminal investigation at  
24 that time -- in fact, said it was a hypothetical  
25 argument at that time.

1                   We have come to learn that based on I  
2 believe it's your letter on August 8th, 2016, sent to  
3 myself, Kevin Edmundson, and Richard Moreno that  
4 basically says, "On August 8th, 2016, the United States  
5 Attorney's Office for the Southern District of Texas  
6 produced to the Securities and Exchange Commission  
7 certain documents relating to this matter. We  
8 understand the USAO obtained these documents from  
9 GoDaddy.com," which was produced to us on August 8th.

10                   There is a criminal investigation going on  
11 based on the SEC's own admission right here;  
12 furthermore, the metadata on the document that was  
13 produced. I have the author as JMartin1, which I have  
14 since learned is with the U.S. Attorney's Office. And  
15 this document was created August 3rd, 2016, at  
16 4:39:57 p.m.; and it was modified with the same  
17 timestamp. Based on that information and the SEC's  
18 prior representation to the Court which essentially  
19 permitted Mr. Grob to testify before Judge Ellison,  
20 things have changed.

21                   Furthermore, with regard to anything that  
22 Mr. Grob would have to testify would potentially be  
23 self-incriminating in light of the SEC's action against  
24 him, having been concluded on May 13th, 2016, with Judge  
25 Ellison's order and his subsequent document order,

1 Document 109, that was entered May 17th, 2016, where he  
2 increased the disgorgement amount from 57,500 to 72,500.  
3 It was signed on the 16th of May, 2016.

4 Therefore, at this point in time, any  
5 testimony that Mr. Grob could speak to would be  
6 irrelevant to the SEC's action against Mr. Grob and only  
7 relevant to the criminal proceedings, evidenced by  
8 yourself.

9 MR. VYDASHENKO: I'll just respond to at  
10 least two points. First, with respect to the last one,  
11 Mr. Grob was never here to testify with respect to his  
12 own liability; and that -- we agree that that subject  
13 has been closed. The reason he's here is because  
14 Mr. Edmundson on behalf of Mr. Farmer has made a motion  
15 to vacate and pursuant -- and he's seeking Mr. Grob's  
16 testimony in support of that motion on behalf of  
17 Defendant Farmer. So I don't think it's -- he's not  
18 here to testify about his own liability as such in this  
19 case.

20 I don't think anything has -- well, I'm not  
21 aware of any changes. What you've told me -- I think  
22 you were -- you were arguing strenuously in court that  
23 there is a criminal investigation going on, that there  
24 are charges looming; and I have the transcript. I can  
25 go back to look at the transcript; but I think you

1       were -- you were very strenuously arguing that there  
2       were charges looming -- criminal charges looming over  
3       your client's head, on May 13th. So from that  
4       standpoint, I don't see --

5                       MR. SOVANY: If I may respond to that.

6                       On Page 7 of the transcript, Mr. Gulde, who  
7       I'm sure we can all, you know, understand is with the  
8       SEC, responded, "Your Honor, it's not the SEC's policy  
9       to comment on the existence of criminal investigations.  
10      I will say to the extent that Mr. Sovany is relying on  
11      the Mutuals.com case he handed to me, that is precedent  
12      for staying a civil proceeding because of a criminal  
13      proceeding. However, the Government brought that  
14      motion" --

15                      THE REPORTER: Slow down just a bit,  
16      please.

17                      MR. SOVANY: Sorry.

18                      "The Government brought that motion to  
19      stay. That is not the situation here. We have a  
20      hypothetical. There is no indictment. I don't know if  
21      Mr. Sovany received a target letter. He hasn't told me  
22      if he has."

23                      That to me represented that the SEC is not  
24      representing that there is a criminal investigation,  
25      which they may or may not have known; but right now we

1 do know by way of your own letter that there is an  
2 investigation and you received documents, 4,100 pages of  
3 documents that were produced. However, there are many,  
4 many more that were not produced. We'll, furthermore,  
5 object to any use of those documents because we don't  
6 have the complete set that the SEC obtained or requested  
7 by way of asking the U.S. Attorney's Office or working  
8 in concert with the U.S. Attorney's Office in this  
9 matter. Therefore, matters have significantly changed;  
10 and any testimony that is elicited from Mr. Grob would  
11 only be necessary to self-incriminate himself.

12 Mr. -- it's my understanding that  
13 Mr. Edmundson noticed the deposition of Mr. Grob in  
14 conjunction with the SEC premised on the SEC's request  
15 for the deposition or testimony of Mr. Grob subsequent  
16 to his declaration, which was only with regard to the  
17 penalty phase not the liability phase at all; and that  
18 was -- that -- the liability there is a Document No. 56  
19 in the record, "Unopposed Motion to Enter Agreed Partial  
20 Judgment Against Charles E. Grob." Attached to it is  
21 the consent of Defendant Charles E. Grob, Jr.; and the  
22 agreed judgment as to Defendant Charles E. Grob was  
23 signed and entered by Judge Ellison, Document 61, on  
24 August 27th, 2015. In that consent which the SEC  
25 entered into, it does specifically say that Mr. Grob

1 does not admit or deny anything within the complaint.  
2 He stands by his consent. Yet, nonetheless, he  
3 submitted a declaration with regard to the penalty phase  
4 not with regard to the judgment already entered or the  
5 complaint. Yet, the SEC requested his deposition,  
6 subpoenaed him to the hearing, and put him on the stand,  
7 which essentially contradicts what the SEC agreed to on  
8 this consent because the questions that were asked based  
9 on the declaration were not toward the penalty phase but  
10 went beyond the penalty phase. And so right now any  
11 questions with regard to anything that would contradict  
12 or have Mr. Grob agree to or disagree to any alleged  
13 allegation in the complaint would go against his  
14 consent. And therein lies another issue that we can  
15 bring up before Judge Ellison.

16 But right now, because of the criminal  
17 proceedings, I'm instructing him to take the Fifth.

18 MR. EDMUNDSON: Just so --

19 MR. VYDASHENKO: Can I just --

20 MR. EDMUNDSON: Go ahead.

21 MR. VYDASHENKO: If I could respond just to  
22 a few points, not all of the points.

23 On the documents that were produced, as I  
24 told counsel for Mr. Farmer off the record, it was our  
25 intent not to use those documents in this deposition.

1                   Next, we understand that the question of  
2                   Mr. Grob's liability has been settled. Nevertheless, we  
3                   are here on a, pending still, motion to vacate by  
4                   Mr. Farmer. So his -- his -- the purpose of his  
5                   testimony is not -- is not related to Mr. Grob's  
6                   liability. It's related to, you know, whether to --  
7                   whether Mr. Farmer's motion to vacate -- vacate the  
8                   summary judgment should be granted or not.

9                   MR. ANSLEY: Let's be clear. It's not --

10                  MR. SOVANY: If I -- if I can -- will you  
11                  as a representative of the United States Government  
12                  stipulate that this deposition -- any testimony that  
13                  Mr. Grob submits in this proceeding right here, this  
14                  deposition, will not and cannot be used by the U.S.  
15                  Attorney's Office for any reason whatsoever?

16                  MR. VYDASHENKO: No. I have no authority  
17                  to --

18                  MR. SOVANY: Then he stands on his Fifth  
19                  Amendment right.

20                  MR. VYDASHENKO: Let me finish. I  
21                  understand what you're saying.

22                  I have no ability to stipulate on behalf of  
23                  the entire U.S. Government much less the U.S. Attorney's  
24                  Office who acts independently of the SEC.

25                  THE REPORTER: I'm sorry. I can't hear

1     you.

2                   MR. VYDASHENKO:  Who acts -- on behalf of  
3     the U.S. Attorney's Office, I cannot stipulate.  They  
4     act independently.  I would not presume to stipulate  
5     anything on their behalf.

6                   With respect to the consent that Mr. Grob  
7     signed, I'll just respond that the entire wording of the  
8     consent makes clear that he should not -- he cannot --  
9     while he neither admits nor denies the charges, he  
10    cannot make statements anytime that contradict the  
11    allegations in the complaint.  He made those statements  
12    in his complaint -- in his -- in the declaration that he  
13    submitted, and -- and that is why we wanted to call him  
14    to the stand and challenge those statements.  I  
15    understand that it was in the penalty phase; but his  
16    degree of scienter, the severity of his conduct, all of  
17    that -- all of those issues are relevant in the  
18    determination of the penalty.

19                  MR. SOVANY:  Correct.

20                  MR. VYDASHENKO:  So all the questioning  
21    during the penalty phase was entirely appropriate.

22                  MR. EDMUNDSON:  Just so I understand, are  
23    you suggesting that at this point in time since the  
24    hearing and in light of the letter -- and perhaps we  
25    ought to add that letter to the -- to the --



1 THE WITNESS: Yes.

2 MR. EDMUNDSON: -- to the exhibit. Why  
3 don't we mark this as Exhibit No. 3.

4 MR. VYDASHENKO: And I'm sorry. I meant to  
5 make -- can I just finish my one point?

6 MR. EDMUNDSON: Sure.

7 MR. VYDASHENKO: During the -- and this  
8 is -- this is in the transcript of the May 13th hearing;  
9 but during the hearing, Herrick, you said, "It is  
10 our" -- on Page 6, "It is our understanding that there's  
11 an ongoing criminal proceeding. So to have Mr. Grob  
12 take the stand in the civil proceeding with regard to  
13 the damages and liability herein could potentially  
14 incriminate him in the criminal proceeding for which  
15 there has been no indictment.

16 "THE COURT: Is that in the Southern  
17 District of Texas or somewhere else?

18 "MR. SOVANY: Motion to stay?

19 "THE COURT: No. The criminal  
20 investigation.

21 "MR. SOVANY: The criminal investigation,  
22 it is my understanding, is here in the Southern District  
23 of Texas.

24 "THE COURT: By the U.S. attorney here?

25 "MR. SOVANY: Yes."

1                   So you had -- you had that on -- the reason  
2     I read that is to make -- is to reiterate my prior  
3     point, which is your understanding of the potential for  
4     Mr. Grob's criminal liability has not changed between  
5     May 13th and today.

6                   MR. SOVANY: It actually has because that  
7     was our understanding. We had no confirmation one way  
8     or another whether there was a criminal investigation  
9     until you actually confirmed it, saying that you  
10    received stuff from the U.S. Attorney's Office; and, I  
11    mean, you at least led me to believe or Mr. Gulde led me  
12    to believe by here we have a hypothetical with regard to  
13    a criminal investigation. There's no indictment, no  
14    target letter; and so it leads at least me to believe  
15    that the SEC was -- either is representing they did not  
16    know of an investigation or --

17                  MR. VYDASHENKO: He was distinguishing --

18                  MR. SOVANY: But, nonetheless, it appears  
19    that the SEC did know there was an ongoing investigation  
20    because how else would they know to get documents,  
21    selected documents, from the U.S. Attorney's Office?

22                  And, in fact, how -- can you answer how --  
23    how come the SEC did not get these documents themselves?

24                  MR. VYDASHENKO: I'm not going to get into  
25    how we did or didn't get certain documents.

1 THE WITNESS: Can I ask you how you got  
2 that letter?

3 MR. SOVANY: No. No, you can't. You  
4 just --

5 MR. ANSLEY: Let me follow up and ask this:  
6 Tell us --

7 THE REPORTER: I'm sorry.

8 MR. ANSLEY: Yeah.

9 MR. EDMUNDSON: He's a former prosecutor.  
10 He doesn't speak loudly.

11 MR. ANSLEY: I think the Court is entitled  
12 to know when the SEC received the documents that you  
13 sent to us on August 8th. Can you tell us when those  
14 documents were received by the SEC staff?

15 MR. VYDASHENKO: What's -- I think we've  
16 indicated that in our letter.

17 MR. ANSLEY: Which is when? I'm not clear  
18 when they were received.

19 MR. VYDASHENKO: By us?

20 MR. ANSLEY: Yes.

21 MR. VYDASHENKO: Sometime in -- I don't  
22 remember. I don't have the letter in front of me. We  
23 received the documents sometime in early August. Right.  
24 So there was a production on August 8th.

25 MR. ANSLEY: Okay. And do you know, in

1 turn, when the U.S. Attorney's Office or the FBI  
2 received these documents?

3 MR. VYDASHENKO: No, I do not know; and I'm  
4 not going to get into questions -- I'm not going to get  
5 into questions about when the U.S. Attorney's Office did  
6 or didn't do something because I'm not the U.S.  
7 Attorney's Office. You should not direct questions to  
8 me about the U.S. Attorney's Office.

9 MR. ANSLEY: Do you know whether they went  
10 out there and got these documents because the SEC staff  
11 asked that they get them?

12 MR. VYDASHENKO: The SEC staff at no point  
13 asked the U.S. attorney to go out and get any documents.  
14 With that, I'm going to not answer additional questions  
15 because they're -- they're not going to the substance of  
16 why we're here today, which is for Mr. Grob's testimony.  
17 To the extent you have questions about the production,  
18 we can -- we can handle those separately.

19 MR. ANSLEY: Are there other documents  
20 besides those that you gave to us pursuant to this  
21 letter that you received regarding the GoDaddy search  
22 warrant?

23 MR. VYDASHENKO: We can handle the  
24 questions -- these questions separately.

25 MR. ANSLEY: So you won't answer that?

1 MR. VYDASHENKO: What is the question?

2 MR. ANSLEY: Whether there are other  
3 documents that the staff received from the Department of  
4 Justice relating to the search --

5 MR. VYDASHENKO: As I told you multiple  
6 times, we handed to you all the documents that we  
7 received from the U.S. Attorney's Office with respect  
8 to -- as -- as I stated in that letter.

9 MR. EDMUNDSON: The documents that were  
10 produced in this case were Bates numbered, but they're  
11 not sequential. Is there -- there are gaps in the Bates  
12 numbering. Do you know whether or not the U.S.  
13 Attorney's Office withheld other documents that they  
14 obtained from GoDaddy when they turned them over to the  
15 SEC?

16 MR. VYDASHENKO: That's a question for the  
17 U.S. Attorney's Office.

18 MR. EDMUNDSON: Okay. And just so I  
19 understand, your position is that since liability in  
20 this case is established and apparently is not contested  
21 by the parties and there has been some sort of an order  
22 by the Court, that Mr. -- Mr. Grob's obligations at  
23 least in the civil case are functionally over and that  
24 because of the letter by the -- by the U.S. Attorney's  
25 Office, it would appear to you that the investigations

1 are not parallel any longer but they have, in fact,  
2 merged and you have a right to assert the Fifth in  
3 connection with the potential use of this testimony in  
4 connection with the criminal investigation?

5 MR. SOVANY: Yes.

6 MR. EDMUNDSON: Okay. All right.

7 MR. VYDASHENKO: I'll just add there's no  
8 basis -- factual basis for that conclusion.

9 MR. EDMUNDSON: Other than the letter --

10 THE WITNESS: Other than the letter.

11 MR. EDMUNDSON: -- and the metadata and the  
12 fact that you can't answer the question of what else is  
13 out there? And we're going to have some other dialogue,  
14 I think, that there are other additional questions to  
15 ask.

16 Q. (BY MR. EDMUNDSON) So I think to be  
17 complete -- and I'll be as brief as possible. If I --  
18 I'll just go through it at a high level, as the  
19 commission did earlier in your deposition, just to cover  
20 the waterfront. I think I can do it quickly. Okay?

21 A. Okay.

22 MR. VYDASHENKO: I'm sorry to continue  
23 interrupting. Could we take a short break right now, or  
24 do you want to --

25 MR. EDMUNDSON: Sure.

1 MR. VYDASHENKO: I want to --

2 MR. EDMUNDSON: Sure. No, no, no.

3 MR. VYDASHENKO: -- make sure I can think  
4 this through so we don't --

5 MR. EDMUNDSON: For my friends at the SEC,  
6 of course.

7 MR. VYDASHENKO: I appreciate that.

8 MR. EDMUNDSON: Why don't we take a break.

9 (Break taken from 9:41 a.m. to 9:49 a.m.)

10 (Exhibit 3 marked)

11 MR. EDMUNDSON: We're back on the record.

12 And just a couple of pieces of  
13 housekeeping. I wanted to enter Exhibit No. 3 into the  
14 record. It -- Nikolay, it's your letter. I mean, I can  
15 show it to Mr. Grob.

16 Q. (BY MR. EDMUNDSON) Is that a letter that you  
17 and your counsel received last week?

18 A. I -- the first time I saw it was this morning.

19 Q. Okay.

20 MR. EDMUNDSON: Well, Nikolay, you don't  
21 object to putting this into the record for this  
22 deposition, since we've referred to it?

23 MR. VYDASHENKO: No.

24 MR. EDMUNDSON: Okay. And attached to it,  
25 what we believe to be the metadata for the document that

1 was produced. And it just --

2 MR. VYDASHENKO: I have not -- I have not  
3 seen that.

4 MR. EDMUNDSON: -- speaks for itself.

5 MR. VYDASHENKO: Can I take a look at that?

6 MR. EDMUNDSON: Yeah.

7 Q. (BY MR. EDMUNDSON) Now, Mr. Grob, just a  
8 couple of more questions --

9 A. Uh-huh.

10 Q. -- on NHE. Did you have a reasonable basis in  
11 fact to issue the press releases with regard to NHE  
12 Technology and the licensing agreement with China Inland  
13 while you were president of Chimera?

14 A. I assert the Fifth Amendment.

15 Q. Did you ever speak with Mr. Farmer about the  
16 issuance of press releases regarding NHE Technology?

17 A. I assert the Fifth Amendment.

18 Q. Was Mr. Farmer involved in any way with respect  
19 to the distribution or dissemination of press releases  
20 regarding NHE Technology?

21 A. I assert the Fifth Amendment.

22 Q. And how often did you talk to Mr. Farmer, let's  
23 say, during the period July 27, 2012, and October 11,  
24 2012? Did you speak with him with some frequency during  
25 that period?



1 A. I assert the Fifth Amendment.

2 Q. Okay. The production that the SEC made last  
3 week of the documents that it obtained from the U.S.  
4 Attorney's Office, did you have an opportunity to review  
5 those documents?

6 A. I assert the Fifth Amendment.

7 Q. And to your knowledge is that a complete  
8 production of all of your e-mails while you were with  
9 Chimera?

10 A. I assert the Fifth Amendment.

11 Q. I want to ask you a few questions about the  
12 PEMEX relationship. Did Chimera, in fact, enter a  
13 memorandum of understanding with PEMEX --

14 A. I -- I assert the Fifth Amendment.

15 I'm sorry I cut you off.

16 Q. And, in fact, did you take a couple of trips to  
17 Mexico to meet with representatives of PEMEX?

18 A. I assert the Fifth Amendment.

19 Q. Okay. And Mr. Farmer didn't attend those  
20 meetings in Mexico; isn't that right?

21 A. I assert the Fifth Amendment.

22 Q. And did you have a reasonable basis in fact to  
23 believe that you had a business relationship with PEMEX?

24 A. I assert the Fifth Amendment.

25 Q. And do you believe that the NHE Technology is

1 fictitious?

2 A. I assert the Fifth Amendment.

3 Q. You mentioned a brown bag of cash at your  
4 testimony at the hearing. Do you know for a fact that  
5 the cash that was allegedly in the brown bag came from  
6 Andrew Farmer?

7 A. I assert the Fifth Amendment.

8 Q. Did anybody represent to you that the cash came  
9 from Andrew Farmer?

10 A. I assert the Fifth Amendment.

11 Q. Did you -- did Andrew Farmer admit to you that  
12 he was the source of that cash?

13 A. I assert the Fifth Amendment.

14 Q. And what was the purpose -- the ostensible  
15 purpose of your receipt of the brown bag of cash?

16 A. I assert the Fifth Amendment.

17 Q. And do you have a recollection of how much cash  
18 was in the brown bag at that time?

19 A. I assert the Fifth Amendment.

20 Q. I want to show you what has been previously  
21 marked as Exhibit No. 2.

22 A. Uh-huh.

23 MR. VYDASHENKO: You've marked it in this  
24 deposition, right?

25 MR. EDMUNDSON: Uh-huh.

1 A. Okay.

2 Q. (BY MR. EDMUNDSON) All right. And I'll  
3 represent to you this is a series of e-mails that we  
4 attached to our motion to vacate and these are e-mails  
5 that we -- that were disseminated and distributed during  
6 the IPO stage of Chimera.

7 A. Uh-huh.

8 Q. All right?

9 Now, you stated in your declaration that --  
10 that you believe that you were not aware that there were  
11 many times that there were communications between  
12 individuals that did not include you.

13 And if you review the exhibits at  
14 attachment -- at Exhibit No. 2, does it appear to you  
15 that you were, in fact, included on e-mail  
16 communications during the IPO phase that kept you  
17 apprised of the activities that Mr. Loev was engaged in?

18 A. I assert the Fifth Amendment.

19 Q. Okay. And, more specifically, isn't it true  
20 that there is an e-mail that -- that Mr. Farmer sent to  
21 you dated September 28th, 2011, that kept you apprised  
22 that he had, in fact, sent a draft registration  
23 statement to Mr. Loev?

24 A. I assert the Fifth Amendment.

25 Q. Okay. And on -- with respect to the

1     October 18, 2011, e-mail in which the SEC has taken the  
2     position that you were not copied on, isn't it true that  
3     Farmer later sent you a copy of the edgarized version of  
4     the registration statement the very same day,  
5     October 18, 2011?

6             A.   I assert the Fifth Amendment.

7             Q.   And on November 17, 2011, the commission takes  
8     the position that Loev had -- Farmer had sent Loev a  
9     draft letter responding to comments the SEC had with  
10    respect to the registration statement but that you were  
11    not copied on; but based upon Exhibit No. 2, isn't it  
12    true that Loev sent to Farmer and you his suggested  
13    revisions and comments to the response letter on  
14    November 21st, 2011?

15            A.   I assert the Fifth Amendment.

16            Q.   And, again, with respect to an e-mail that is  
17    dated December 12, 2012, isn't it true based upon your  
18    review of Exhibit 2 that you, in fact, were -- did  
19    receive communications from either Farmer and Loev  
20    regarding follow-up communications with the SEC  
21    regarding Chimera's request for effectiveness?

22            A.   I assert the Fifth Amendment.

23            Q.   Okay. Now that you have those e-mails in front  
24    of you, does that change your belief as reflected in  
25    your declaration at Paragraphs 10 and 11 that maybe you

1 were not included in certain e-mail communications  
2 between Farmer and Loev with respect to the IPO  
3 transaction?

4 A. I assert the Fifth Amendment.

5 Q. Okay. On January 13, 2012, there was a letter  
6 that we looked at at the hearing, that you had  
7 apparently signed, to Pennaluna. Do you recall when you  
8 sent that letter to Pennaluna?

9 A. I assert the Fifth Amendment.

10 Q. And did you have communications with Pennaluna  
11 regarding Chimera's request for Pennaluna to make a  
12 market in its stock separate and apart from Andrew  
13 Farmer?

14 A. I assert the Fifth Amendment.

15 Q. And isn't it a fact that Andrew Farmer was  
16 well-known to Pennaluna in his relationship with Chimera  
17 before it began to make a market --

18 A. I assert --

19 Q. -- in Chimera stock?

20 A. I assert the Fifth Amendment.

21 Q. Did you and Mr. Farmer ever engage in an  
22 express scheme to engage in securities fraud?

23 A. I assert the Fifth Amendment.

24 Q. And did you conspire with Mr. Farmer in any way  
25 to commit a violation of the federal securities laws?

1 A. I assert the Fifth Amendment.

2 Q. Okay. And did -- with respect to the press  
3 releases that you issued on behalf of the company as  
4 well as the public reports that were filed with the  
5 commission, is it your testimony that you had a good  
6 faith basis to believe the accuracy of the statements in  
7 those documents?

8 A. I assert the Fifth Amendment.

9 Q. Do you believe that you ever issued a false and  
10 misleading public statement as it relates to Chimera?

11 A. I assert the Fifth Amendment.

12 MR. EDMUNDSON: Let's go off the record for  
13 two minutes.

14 (Discussion off the record)

15 MR. EDMUNDSON: Back on the record.

16 Pass.

17 EXAMINATION

18 BY MR. VYDASHENKO:

19 Q. Mr. Grob, isn't it true that Mr. Farmer  
20 introduced you to Mr. Massey?

21 A. I assert the Fifth Amendment.

22 Q. And you understood Mr. Farmer and Mr. Massey to  
23 be working together; is that true?

24 A. I assert the Fifth Amendment.

25 Q. You were introduced to Mr. Brotherton through

1 either Mr. Farmer or Mr. Massey; is that right?

2 A. I assert the Fifth Amendment.

3 Q. You understood that Mr. Farmer and  
4 Mr. Brotherton are working together; is that true?

5 A. I assert the Fifth Amendment.

6 Q. You understood that Mr. Brotherton, Mr. Massey,  
7 and Mr. Farmer all were working together with respect to  
8 Chimera Energy Corp; is that right?

9 A. I assert the Fifth Amendment.

10 Q. How -- how was it decided -- or who decided  
11 that you would buy -- let me ask it this way: To  
12 initially capitalize Chimera, there was a 10,000-dollar  
13 purchase of 10 million shares of stock; is that right?

14 A. I assert the Fifth Amendment.

15 Q. Who made the decision to price the stock -- the  
16 10 million shares for \$10,000?

17 A. I assert the Fifth Amendment.

18 Q. Did you ever solicit any loans from Kylemoore  
19 or any other parties?

20 A. I assert the Fifth Amendment.

21 Q. Isn't it true that Mr. Farmer offered you a  
22 Kylemoore loan?

23 A. I assert the Fifth Amendment.

24 Q. And Mr. Farmer -- isn't it true that Mr. Farmer  
25 determined the amount that Kylemoore would loan, the

1 term of that loan, and the interest rate of that loan?

2 A. I assert the Fifth Amendment.

3 Q. And that you did not have a -- that in the --  
4 strike that.

5 And that you did not negotiate any of those  
6 terms with respect to the Kylemoore loan?

7 A. I assert the Fifth Amendment.

8 Q. Did you have access to Chimera's -- to modify  
9 Chimera's website?

10 A. I assert the Fifth Amendment.

11 Q. Were there any other persons who had access to  
12 modify Chimera's website?

13 A. I assert the Fifth Amendment.

14 Q. And when I say "modify," what I mean is to  
15 place content or take content off the Chimera website.  
16 With that understanding of that term, does your answer  
17 change?

18 A. No. My answer -- my answer is I assert the  
19 Fifth Amendment.

20 Q. With respect to Chimera's S-1 registration  
21 statement, is it true that you did not determine the  
22 amount of money that Chimera would seek to raise in the  
23 offering?

24 A. I assert -- I assert the Fifth Amendment.

25 Q. Is it true that you did not determine the



1 number of securities that the S-1 would register?

2 A. I assert the Fifth Amendment.

3 Q. Is it true that you did not determine the price  
4 of the securities that would be offered in the S-1?

5 A. I assert the Fifth Amendment.

6 Q. Who made those determinations that I just  
7 mentioned with respect to the S-1?

8 A. I assert the Fifth Amendment.

9 Q. Is it true that it was not your idea to go out  
10 and solicit investments for Chimera's IPO?

11 A. I assert the Fifth Amendment.

12 Q. Is it true that you have never met,  
13 communicated with, or solicited multiple people who  
14 invested in Chimera's IPO?

15 A. I assert the Fifth Amendment.

16 Q. Was it Mr. Farmer's idea to list Chimera's  
17 stock on the OT -- over-the-counter marketplace?

18 A. I assert the Fifth Amendment.

19 Q. Is it true that Mr. Farmer took the lead in  
20 getting Chimera's Form 211 application completed,  
21 approved by Pennaluna, and then approved by FINRA?

22 A. I assert the Fifth Amendment.

23 Q. Is it true that Mr. Farmer was the one who took  
24 the lead in responding to inquiries from Pennaluna and  
25 from FINRA relating to the 211 application?

1 A. I assert the Fifth Amendment.

2 Q. Whose idea was it to do a stock split of  
3 Chimera stock?

4 A. I assert the Fifth Amendment.

5 Q. Who told you where to wire money that Chimera  
6 paid for the purported NHE licensing agreement?

7 A. I assert the Fifth Amendment.

8 Q. And you never met or corresponded with anyone  
9 from China Inland; is that true?

10 A. I assert the Fifth Amendment.

11 (Mr. Edmundson and Mr. Ansley leave  
12 proceedings)

13 Q. (BY MR. VYDASHENKO) Whose idea was it for  
14 Chimera to start issuing press releases?

15 A. I assert the Fifth Amendment.

16 Q. Isn't it true that that was not your idea?

17 A. I assert the Fifth Amendment.

18 Q. Whose idea was it for Chimera to start using a  
19 service to distribute the press releases that were  
20 issued?

21 A. I assert the Fifth Amendment.

22 Q. Is it true that it was not your idea?

23 A. I assert the Fifth Amendment.

24 (Mr. Ansley returns to proceedings)

25 Q. (BY MR. VYDASHENKO) Did you need Mr. Farmer's

1 approval to settle the Air Liquide lawsuit?

2 A. I assert the Fifth Amendment.

3 (Mr. Edmundson returns to proceedings)

4 Q. (BY MR. VYDASHENKO) Is it true that an entity  
5 called Fairwinds Consulting paid you \$50,000 in August,  
6 2012?

7 A. I assert the Fifth Amendment.

8 Q. What was the purpose of that payment?

9 A. I assert the Fifth Amendment.

10 Q. Is it true that you had a consulting agreement  
11 that was entered into sometime in September or October  
12 of 2012 with Fairwinds?

13 A. I assert --

14 MR. EDMUNDSON: I'm going to object to the  
15 question. Is that in the complaint?

16 MR. VYDASHENKO: I don't know.

17 MR. EDMUNDSON: I don't believe it is. Is  
18 it relevant to this proceeding?

19 MR. VYDASHENKO: I believe it's relevant,  
20 yes.

21 MR. EDMUNDSON: And how so?

22 MR. VYDASHENKO: Fairwinds Consulting is --  
23 this is all in the documents that we had produced long  
24 ago, but Fairwinds Consulting is an entity that is  
25 controlled by Mr. Massey.

1 MR. EDMUNDSON: Is Mr. Massey in the  
2 complaint?

3 MR. VYDASHENKO: Yes.

4 MR. EDMUNDSON: Is he a defendant?

5 MR. VYDASHENKO: No.

6 MR. EDMUNDSON: Is he named in the  
7 complaint?

8 MR. VYDASHENKO: He's been identified  
9 either in the complaint or in the summary judgment  
10 papers, where his role has been articulated.

11 Q. (BY MR. VYDASHENKO) You had a consulting  
12 agreement with Fairwinds?

13 A. I assert the Fifth Amendment.

14 Q. What was the work that you were doing, if  
15 anything, pursuant to that consulting agreement?

16 A. I assert the Fifth Amendment.

17 Q. When FINRA began its investigation of Chimera  
18 of which you would have learned sometime in October,  
19 2012, who directed Chimera's response to that  
20 investigation?

21 A. I assert the Fifth Amendment.

22 Q. Did Mr. Farmer ever tell you how to respond to  
23 the FINRA investigation?

24 A. I assert the Fifth Amendment.

25 Q. Did Mr. Farmer draft the response to the

1 FINRA -- to questions sent by FINRA as part of that  
2 investigation?

3 A. I assert the Fifth Amendment.

4 Q. Did Mr. Farmer ever tell you how to respond to  
5 the SEC's investigation?

6 A. I assert the Fifth Amendment.

7 Q. Did Mr. Farmer ever advise you whether to  
8 testify or not in the SEC's investigation?

9 A. I assert the Fifth Amendment.

10 Q. Did Mr. Farmer advise you on which counsel to  
11 select in the SEC investigation?

12 A. I assert the Fifth Amendment.

13 Q. Did Mr. Farmer advise you on whether to produce  
14 documents or not in the SEC investigation?

15 A. I assert the Fifth Amendment.

16 Q. Did Mr. Farmer advise you on which documents to  
17 produce in the SEC investigation?

18 A. I assert the Fifth Amendment.

19 Q. Now, you had an e-mail address on the Chimera  
20 Energy server; is that -- you had a Chimera Energy  
21 e-mail address; is that right?

22 A. I assert the Fifth Amendment.

23 Q. How did you access that e-mail?

24 A. I assert the Fifth Amendment.

25 Q. Did -- did your ability to access your Chimera

1 Energy e-mails change after you resigned as CEO?

2 A. I assert the Fifth Amendment.

3 Q. Did you give anyone the access information,  
4 meaning a login or password or other information  
5 necessary to exit -- excuse me -- to access your Chimera  
6 Energy e-mail address?

7 A. I assert the Fifth Amendment.

8 Q. E-mail account.

9 Did you have access to your Chimera Energy  
10 e-mail account after the SEC began its investigation?

11 A. I assert the Fifth Amendment.

12 Q. Did anyone else have access to your Chimera  
13 Energy e-mail account after the SEC began its  
14 investigation?

15 A. I assert my Fifth Amendment.

16 Q. Who other than your counsel did you speak to in  
17 preparation for your testimony today?

18 A. I assert my Fifth Amendment.

19 Q. Did you provide funds to the IPO investors that  
20 you solicited to purchase investment -- to purchase  
21 Chimera shares in the IPO?

22 A. I assert the Fifth Amendment.

23 Q. And were the funds that you provided to these  
24 investors -- did those funds come from the envelope of  
25 cash that you had testified you received from

1 Mr. Farmer?

2 MR. EDMUNDSON: Objection. I'm not sure  
3 that's what his testimony was. It -- I don't have it in  
4 front of me. I'm not sure that's exactly what his  
5 testimony was.

6 A. I assert the Fifth Amendment.

7 Q. (BY MR. VYDASHENKO) Did the funds you used to  
8 assist IPO investors in purchasing their shares in the  
9 IPO come from an envelope of cash that you had  
10 understood came from Mr. Farmer?

11 A. I assert my Fifth Amendment.

12 MR. VYDASHENKO: Let's -- can we go off the  
13 record briefly so I can review and make sure I don't  
14 have anything further?

15 (Break taken from 10:15 a.m. to 10:16 a.m.)

16 Q. (BY MR. VYDASHENKO) You were paid by  
17 Mr. Farmer a salary of \$2500 per month initially; is  
18 that right?

19 A. I assert the Fifth Amendment.

20 Q. Is it true that Mr. Farmer set that amount as  
21 your salary?

22 A. I assert the Fifth Amendment.

23 Q. Is it true that the salary was connected to  
24 your work for Chimera?

25 A. I assert the Fifth Amendment.

1 Q. Is it your intent to assert the Fifth Amendment  
2 with respect to all questions regarding Mr. Farmer's  
3 involvement in Chimera's initial public offering?

4 A. It is.

5 Q. And is it your intent to assert the Fifth  
6 Amendment with respect to Mr. Farmer's involvement in  
7 the aspect of that public offering that involved  
8 soliciting investors?

9 A. It is.

10 Q. Is it your intent to assert the Fifth Amendment  
11 with respect to all questions regarding Mr. Farmer's  
12 involvement in Chimera's application for a Form 211?

13 A. I assert the Fifth Amendment.

14 Q. Are you -- are you able to -- are you able to  
15 categorically -- are you able to tell me that you intend  
16 to categorically assert it with respect to that entire  
17 topic?

18 A. Yes.

19 MR. ANSLEY: What topic?

20 Q. (BY MR. VYDASHENKO) The entire topic of  
21 Mr. Farmer's involvement in Chimera's 211 application?

22 A. Yes.

23 MR. VYDASHENKO: I pass the witness.

24 MR. EDMUNDSON: Mr. Grob, I appreciate your  
25 time today and, you know, the decisions that you have to



1 make.

2 THE WITNESS: Likewise.

3 MR. EDMUNDSON: And we may -- we may have  
4 to address this issue with the Court, but we will be in  
5 contact with your counsel. Thank you very much.

6 THE WITNESS: Thank you.

7 THE REPORTER: Any other stipulations?

8 MR. SOVANY: No.

9 We'll reserve.

10 (Deposition concluded at 10:19 a.m.)

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1 UNITED STATES DISTRICT COURT  
 2 FOR THE SOUTHERN DISTRICT OF TEXAS  
 3 HOUSTON DIVISION

3 SECURITIES AND EXCHANGE §  
 4 COMMISSION, §  
 5 Plaintiff, §  
 6 V. § CIVIL ACTION NO.  
 7 ANDREW I. FARMER, et al., § 4:14-CV-2345  
 8 Defendants. §

9 REPORTER'S CERTIFICATION

10 DEPOSITION OF CHARLES EARL GROB, JR.

11 AUGUST 15, 2016

12  
 13 I, Julie Brown, Certified Shorthand Reporter in and  
 14 for the State of Texas, hereby certify to the following:

15 That the witness, CHARLES EARL GROB, JR., was duly  
 16 sworn by the officer and that the transcript of the oral  
 17 deposition is a true record of the testimony given by  
 18 the witness;

19 I further certify that pursuant to FRCP Rule  
 20 30(f)(1) that the signature of the deponent:

21 \_\_\_\_ was requested by the deponent or a party before  
 22 the completion of the deposition and returned within 30  
 23 days from date of receipt of the transcript. If  
 24 returned, the attached Changes and Signature Page  
 25 contains any changes and the reasons therefor;

1           \_X\_ was not requested by the deponent or a party  
2 before the completion of the deposition.

3           I further certify that I am neither attorney nor  
4 counsel for, related to, nor employed by any of the  
5 parties to the action in which this testimony was taken.

6           Further, I am not a relative or employee of any  
7 attorney of record in this cause, nor do I have a  
8 financial interest in the action.

9           Subscribed and sworn to on this the 16th day of  
10 August, 2016.

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